

*Financial Statements and
Independent Auditor's Report of*

CENTER FOR NATURAL LANDS MANAGEMENT

September 30, 2016 and 2015

CENTER FOR NATURAL LANDS MANAGEMENT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Center for Natural Lands Management
Temecula, California

Report on the Financial Statements

We have audited the accompanying financial statements of Center for Natural Lands Management (a nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Natural Lands Management as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2017, on our consideration of Center for Natural Lands Management's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Center for Natural Lands Management's internal control over financial reporting and compliance.

Campbell Taylor & Company

An Accountancy Corporation

March 16, 2017

Roseville, California

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENTS OF FINANCIAL POSITION

September 30, 2016 and 2015

	ASSETS	
	2016	2015
Assets:		
Cash and cash equivalents	\$ 664,098	\$ 773,720
Money market funds	2,623,830	1,416,612
Accounts receivable, net of \$1,554 and \$645 allowance for doubtful accounts in 2016 and 2015, respectively	1,036,387	1,267,891
Accrued revenue	83,422	54,258
Prepaid expenses	41,789	25,253
Total current assets	4,449,526	3,537,734
Investments	84,935,482	68,844,881
Funds held for others	13,634,281	43,172,064
Land and conservation easements	52,277,091	52,150,741
Fixed assets and computer software, net	64,174	103,266
Other assets	1,759	2,711
Total assets	\$ 155,362,313	\$ 167,811,397
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 542,922	\$ 642,888
Accrued expenses	425,099	356,447
Total current liabilities	968,021	999,335
Funds held for others liability	13,634,281	43,172,064
Other long-term liabilities	1,219,956	1,225,722
Deferred income	-	22,705
Total liabilities	15,822,258	45,419,826
Commitments		
Net Assets:		
Unrestricted	699,463	550,259
Temporarily restricted	36,028,855	22,057,548
Permanently restricted	102,811,737	99,783,764
Total net assets	139,540,055	122,391,571
Total liabilities and net assets	\$ 155,362,313	\$ 167,811,397

The accompanying notes are an integral part of these financial statements.

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and income:				
Public support:				
Grants and donations	\$ 3,846,046	\$ 10,321,879	\$ -	\$ 14,167,925
Real property	-	-	126,350	126,350
Endowment and related support	-	617,749	2,901,623	3,519,372
Program services:				
Preserve management	499,160	43,101	-	542,261
Property analysis	579,353	-	-	579,353
Account management	257,560	-	-	257,560
Dividend and interest income	2	1,036,160	-	1,036,162
Realized and unrealized gain on investments	-	4,558,835	-	4,558,835
Net assets released from restriction	2,606,417	(2,606,417)	-	-
Total support and income	7,788,538	13,971,307	3,027,973	24,787,818
Expenses:				
Preserve management	5,405,354	-	-	5,405,354
Management and administration	1,344,973	-	-	1,344,973
Sub awards of federal grants	489,767	-	-	489,767
Property analysis	334,036	-	-	334,036
Occupancy	25,951	-	-	25,951
Interest	161	-	-	161
Depreciation and amortization	39,092	-	-	39,092
Total expenses	7,639,334	-	-	7,639,334
Change in net assets	149,204	13,971,307	3,027,973	17,148,484
Net assets, beginning of year	550,259	22,057,548	99,783,764	122,391,571
Net assets, end of year	\$ 699,463	\$ 36,028,855	\$ 102,811,737	\$ 139,540,055

The accompanying notes are an integral part of these financial statements.

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and income:				
Public support:				
Grants and donations	\$ 4,730,637	\$ 350,338	\$ -	\$ 5,080,975
Real property	-	-	1,000,000	1,000,000
Endowment and related support	-	321,203	988,180	1,309,383
Program services:				
Preserve management	586,096	29,900	-	615,996
Property analysis	726,427	-	-	726,427
Account management	244,484	-	-	244,484
Dividend and interest income	2	584,544	-	584,546
Realized and unrealized loss on investments	-	(737,443)	-	(737,443)
Other income	622	-	-	622
Net assets released from restriction	<u>2,756,642</u>	<u>(2,756,642)</u>	<u>-</u>	<u>-</u>
Total support and income	<u>9,044,910</u>	<u>(2,208,100)</u>	<u>1,988,180</u>	<u>8,824,990</u>
Expenses:				
Preserve management	6,242,410	-	-	6,242,410
Management and administration	1,087,307	-	-	1,087,307
Subawards of federal grants	472,761	-	-	472,761
Property analysis	360,660	-	-	360,660
Occupancy	69,434	-	-	69,434
Depreciation and amortization	<u>41,275</u>	<u>-</u>	<u>-</u>	<u>41,275</u>
Total expenses	<u>8,273,847</u>	<u>-</u>	<u>-</u>	<u>8,273,847</u>
Change in net assets	771,063	(2,208,100)	1,988,180	551,143
Net Asset Transfers:				
Assets transferred to temporarily restricted	(277,887)	277,887	-	-
Temporarily restricted funds transferred out	<u>-</u>	<u>(70,166)</u>	<u>-</u>	<u>(70,166)</u>
Net assets, beginning of year	<u>57,083</u>	<u>24,057,927</u>	<u>97,795,584</u>	<u>121,910,594</u>
Net assets, end of year	<u>\$ 550,259</u>	<u>\$ 22,057,548</u>	<u>\$ 99,783,764</u>	<u>\$ 122,391,571</u>

The accompanying notes are an integral part of these financial statements.

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2016 and 2015

	2016	2015
Cash Flows provided by Operating Activities:		
Unrestricted cash received from donors, grants and support	\$ 5,361,754	\$ 5,836,939
Donor restricted cash received from donors, grants and support	732,729	701,441
Cash received from restricted funds	2,606,417	2,756,642
Cash paid to grantees, suppliers and employees	(7,652,745)	(8,167,647)
Dividends and interest received	1,036,162	584,546
Interest expense	(161)	-
Cash provided by operating activities	2,084,156	1,711,921
Cash Flows used for Investing Activities:		
Net purchase of property and equipment	-	(45,458)
Purchase of land	(126,350)	(1,000,000)
Net purchase of money market funds	(1,207,218)	(20,592)
Net purchase of investments	(14,138,183)	(2,409,223)
Cash used for investing activities	(15,471,751)	(3,475,273)
Cash Flows provided by Financing Activities:		
Cash received for endowments	2,901,623	988,180
Temporarily restricted funds transferred out	-	(70,166)
Proceeds restricted for land purchases	10,376,350	1,000,000
Cash provided by financing activities	13,277,973	1,918,014
Net increase (decrease) in cash and cash equivalents	(109,622)	154,662
Cash and cash equivalents, beginning of year	773,720	619,058
Cash and cash equivalents, end of year	\$ 664,098	\$ 773,720

The accompanying notes are an integral part of these financial statements.

CENTER FOR NATURAL LANDS MANAGEMENT

STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended September 30, 2016 and 2015

	2016	2015
<u>Reconciliation of Change in Net Assets to Cash</u>		
<u>Provided by Operating Activities</u>		
Change in net assets (before net asset transfers)	\$ 17,148,484	\$ 551,143
Adjustments to reconcile:		
Depreciation and amortization	39,092	41,275
Restricted for land purchases	(10,376,350)	(1,000,000)
Restricted cash for endowments	(2,901,623)	(988,180)
Post retirement benefit obligation	(5,766)	(3,260)
Cash received from restricted funds	2,606,417	2,756,642
Realized and unrealized loss (gain) on investments	(4,558,835)	737,443
(Increase) decrease in assets:		
Accounts receivable	231,504	(397,494)
Accrued revenue	(29,164)	22,108
Prepaid expenses	(16,536)	7,001
Other assets	952	153
Increase (decrease) in liabilities:		
Accounts payable	(99,966)	34,390
Accrued expenses	68,652	26,641
Deferred income	(22,705)	(75,941)
Cash provided by operating activities	\$ 2,084,156	\$ 1,711,921

The accompanying notes are an integral part of these financial statements.

CENTER FOR NATURAL LANDS MANAGEMENT

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE 1: ORGANIZATION, OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES

Center for Natural Lands Management (the “Organization”) is a not-for-profit organization incorporated in 1990 in the State of California. The Organization provides land conservation and management services for environmentally sensitive land areas primarily in the Pacific Coast region of the United States.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles of the United States (U.S. GAAP).

Financial Statement Presentation

The Organization reports information regarding its financial position according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets. Accordingly, all financial transactions have been recorded and reported in the following net asset classifications:

Unrestricted Net Assets

Unrestricted net assets represent resources over which the Organization has discretionary control and that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Earnings from endowment funds are used to maintain land. Revenues are released from restrictions and transferred to unrestricted net assets when land maintenance and monitoring costs are incurred.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent resources whose use by the Organization is limited by grant/donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. Temporarily restricted net assets consist of funds used to maintain properties and land acquisition funds.

Permanently Restricted Net Assets

Permanently restricted net assets represent resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Permanently restricted net assets consist of endowment funds, land grants and land easements.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any loss in such accounts and believes it is not exposed to any significant cash risk.

Money Market Funds

Money market funds include funds designated and limited for the care and management of specific properties and specific purposes.

NOTE 1: ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Organization has adopted an investment policy in which to guide the management of the Organization's portfolio of invested funds. The objective of the investment fund is to earn an annual rate of return, net of investment and management expenses, equal to or greater than five percent (5%) over the annual rate of inflation, without assuming too great a risk. The investment spend policy is 4.5% of the endowment balance or the inflation-adjusted annual budget used to calculate the required endowment, whichever is less. This allows an endowment to grow in periods of good investment earnings and allows stewardship to continue in periods of poorer earnings. The investment strategy is to invest in a sufficient number of different types of financial instruments and money managers to provide significant diversification of the investment fund and to reduce the overall risk and improve performance over time.

Investments are stated at estimated fair market value. Investments that do not have readily available fair market values as of September 30th are valued as of the latest date available. Due to timing of investment value availability, some level 3 investments are valued at dates other than the Organization's fiscal year end. This has been described in Note 2. Realized and unrealized gains and losses are recorded in the period in which they occur and are reported as investment income or losses. Investments are established for permanent endowment funds and are held in accounts at Common Fund for Non Profit Organizations (Common Fund). Investments include debt and equity securities.

Accounts Receivable and Accrued Revenue

Accounts receivable represent service revenue receivables and expenditures for which reimbursement has been requested but not yet received. Accounts receivable are written off against the allowance after all means of collections have been exhausted and the potential recovery is considered remote. The Organization has a good collection record and, based on the quality of the customer accounts and past history, management has evaluated accounts receivable and is not aware of any issues that would impact the collectability of existing accounts receivable. Management believes that an adequate allowance for doubtful accounts receivable has been provided.

Grant and donation revenue is recognized when services are performed and related reimbursable expenses are incurred, in accordance with the terms of applicable grant awards. Accrued revenue represents service revenues that have been performed, but are not yet billed.

In-Kind Donations

The Organization recognizes revenue for certain donated goods and services at the estimated fair market value of those goods and services.

Income Tax Status

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and has received a favorable determination letter from the Internal Revenue Service. The Organization is however subject to income taxes from activities unrelated to its tax-exempt purposes.

Accounting principles generally accepted in the United States of America require Organization management to evaluate tax positions taken by the Organization and recognize a tax liability or asset if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Organization management has determined that as of September 30, 2016, there are no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements. The Organization is subject to routine audits by taxing authorities; however there are currently no audits for any tax periods in progress. The Organization is open to examination for the previous three (Federal) and four (State) years by various tax authorities.

NOTE 1: ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Investment Income

Earnings on endowment funds are available for use in managing and maintaining conservation lands. Investment earnings and losses are recorded as temporarily restricted net assets. A portion of earnings are transferred monthly to unrestricted revenues to provide income for the management of properties to the Organization. In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted by the State of California, when investment losses are incurred, donor-restricted endowment funds are reduced to the extent that all past appreciation has been recognized, any remaining loss is then allocated to unrestricted net assets.

Fixed Assets and Computer Software

Fixed assets are stated at cost, if purchased, or at fair market value at the date of the gift, if donated. Fixed assets are depreciated using the straight-line method over estimated useful lives of three to five years. Fixed assets purchased with grant funds are not capitalized when the grantor retains rights to the property. The Organization capitalizes equipment with a cost of \$5,000 or greater.

Land

The Organization acquires environmentally protected land or conservation land easements through grants or by purchase with donated funds. Land grants are stated at estimated value. Purchased land is stated at cost. The properties are permanently restricted for environmental purposes and cannot be used for commercial purposes. Endowment funds are established to provide for the care and management of the properties. The land and endowment funds are included in permanently restricted net assets.

The Organization receives contributions that require the establishment of endowment funds. These funds are invested in order to provide investment income for expenditures related to maintaining and managing environmentally protected lands.

Deferred Income

Deferred income represents grant funds that have been received in advance of services being performed.

Estimates and Assumptions

The preparation of the financial statements in connection with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates are the depreciable lives of assets, fair value of level 3 investments, allocation of investment income to endowments, and the allowance for doubtful accounts. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU No 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new accounting standard modifies the information provided to donors, grantors, and other users of the financial statements by eliminating the distinction between resources with permanent and temporary restrictions, requiring the use of the placed-in-service approach for reporting gift restrictions and enhancing disclosures. Application of this statement is effective for the year ending September 30, 2019. Early adoption is permitted. The Organization is currently evaluating the impact adoption of the new standard will have on its financial statements.

NOTE 2: INVESTMENTS

Investments are held in Common Fund and Citi Wealth Management. Investments at September 30, 2016 and 2015, unless otherwise indicated, consisted of the following at fair market value:

	2016		2015	
	Shares/Cost	Amount	Shares/Cost	Amount
Common Fund:				
Institutional Global Multi-Asset Fund	3,344,489	\$ 36,622,330	3,344,489	\$ 34,653,992
Institutional Multi-Strategy Equity Fund	2,231,501	33,347,123	2,231,501	30,307,233
Institutional Multi-Strategy Bond Fund	348,711	3,895,812	348,711	3,714,439
State Street U.S. Gov't Money Market	1,068,219	1,145,938	1,068,219	1,068,219
Private equity funds (market value as of September 30)		-		6,324,440
Private equity funds (market value as of June 30)		9,834,640		1,217,517
Less mitigation funds held for others		<u>(10,114,945)</u>		<u>(8,440,959)</u>
		74,730,898		68,844,881
Citi Wealth Management:				
U.S. Treasury Notes	10,205,000	10,204,584	-	-
		<u>\$ 84,935,482</u>		<u>\$ 68,844,881</u>

Investment income is presented net of investment fees of \$225,784 and \$156,317 for the years ended September 30, 2016 and 2015, investment income (loss) consisted of the following:

	2016	2015
Institutional Multi-Strategy Equity Fund appreciation	\$ 2,534,982	\$ 491,373
Institutional Multi-Strategy Bond Fund appreciation (depreciation)	80,192	(29,220)
Private equity fund appreciation	550,870	397,122
Institutional Global Multi-Asset Fund appreciation (depreciation)	1,392,791	(1,596,718)
Interest, dividends and other	<u>1,036,162</u>	<u>584,546</u>
	<u>\$ 5,594,997</u>	<u>\$ (152,897)</u>

The Organization has committed to fund an additional \$12 million for capital calls in private equity funds.

NOTE 3: FIXED ASSETS AND COMPUTER SOFTWARE

Fixed assets and computer software consists of the following at September 30, 2016 and 2015:

	2016	2015
Vehicles and equipment	\$ 463,742	\$ 463,742
Computer software	<u>357,068</u>	<u>357,068</u>
	820,810	820,810
Less accumulated depreciation and amortization	<u>756,636</u>	<u>717,544</u>
Total	<u>\$ 64,174</u>	<u>\$ 103,266</u>

Depreciation and amortization expense was \$39,092 and \$41,275 for the fiscal years ended September 30, 2016 and 2015, respectively.

NOTE 4: TEMPORARILY RESTRICTED FUND TRANSFER

During the year ended September 30, 2015, the Organization transferred \$70,166 of temporarily restricted funds including all related obligations, to other Organizations. During the year ended September 30, 2016, there were no transfers of temporarily restricted funds to other Organizations.

NOTE 5: LEASE COMMITMENTS

The Organization leases its office facility, a copier, and a two acre parcel of land under non-cancelable operating leases. The copier lease is set to expire in fiscal year 2020. The office facility lease is set to expire in fiscal year 2020. The 4 year land lease will expire in fiscal year 2019.

Minimum annual rental commitments under non-cancelable leases are as follows at September 30, 2016:

<u>For the year ending September 30,</u>	<u>Minimum lease Commitments</u>
2017	\$ 26,057
2018	26,813
2019	27,576
2020	8,170
	<u>\$ 88,616</u>

Rent expense under leases for the fiscal years ended September 30, 2016 and 2015, was \$55,472 and \$57,508, respectively.

NOTE 6: LINE OF CREDIT

The Organization has a revolving \$250,000 line of credit and a \$50,000 overdraft protection line with a bank which expires June 28, 2017. Borrowings on the revolving line of credit are unsecured and bear interest at Prime + 2% (5.50% at September 30, 2016). Borrowings on the overdraft line of credit are unsecured and bear interest at Prime + 8% (11.50% at September 30, 2016). The Organization had no borrowings on outstanding balances under these agreements at September 30, 2016 and 2015, respectively.

NOTE 7: FUNDS HELD FOR OTHERS

The Organization holds cash and investments in separate accounts which are to be maintained for purchase and management of additional conservation lands. The Organization has a fiduciary responsibility to the organizations to which the funds belong. Funds consist of the following:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,767,414	\$ 3,318,619
Marketable securities	1,751,922	31,412,486
Investments	<u>10,114,945</u>	<u>8,440,959</u>
Total	<u>\$ 13,634,281</u>	<u>\$ 43,172,064</u>

NOTE 8: OTHER LONG-TERM LIABILITIES

In December 2007, the Board of Directors approved a post-employment retirement benefit arrangement for the former Executive Director. The arrangement provides for a monthly retirement payment plus a contribution toward health insurance. The former Executive Director retired in December 2008. The estimated present value of these benefits at September 30, 2016 and 2015 is \$1,304,171 and \$1,307,484, respectively, and is classified as follows: \$84,215 and \$81,762 as a current liability in accrued expenses and \$1,219,956 and \$1,225,722 as a long-term liability as of September 30, 2016 and 2015, respectively. At September 30, 2016 and 2015, the Organization expensed \$81,762 and \$79,381 for benefits in relation to this arrangement.

NOTE 9: NET ASSETS

Net assets include permanently restricted and temporarily restricted net assets. Permanently restricted net assets consist of amounts initially established as endowments, land, or easements. Earnings on endowment funds are temporarily restricted for use in maintaining land preserves.

Funds received for maintenance costs associated with land preserves are also temporarily restricted. Restricted net assets consisted of the following at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<u>Permanently Restricted</u>		
Endowments	\$ 50,534,646	\$ 47,633,023
Land and Easements	<u>52,277,091</u>	<u>52,150,741</u>
	<u>\$ 102,811,737</u>	<u>\$ 99,783,764</u>
	<u>2016</u>	<u>2015</u>
<u>Temporarily Restricted</u>		
Earnings on endowments	\$ 22,159,489	\$ 19,722,478
Future land acquisition and stewardship funds	10,905,067	708,567
Land maintenance funds	2,698,604	1,300,638
Grant funds	<u>265,695</u>	<u>325,865</u>
	<u>\$ 36,028,855</u>	<u>\$ 22,057,548</u>

Changes in endowment fund balances consist of the following at September 30, 2016 and 2015:

<u>2016</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Beginning balance	\$ 19,722,478	\$ 47,633,023
Dividend and interest income	1,036,160	-
Realized and unrealized gain on investments	4,558,835	-
Endowment and related support	-	2,901,623
Released from restriction	<u>(3,157,984)</u>	<u>-</u>
Total	<u>\$ 22,159,489</u>	<u>\$ 50,534,646</u>

NOTE 9: NET ASSETS (Continued)

<u>2015</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Beginning balance	\$ 22,111,008	\$ 46,644,843
Dividend and interest income	584,544	-
Realized and unrealized loss on investments	(737,443)	-
Endowment and related support	-	988,180
Released from restriction	<u>(2,235,631)</u>	<u>-</u>
Total	<u>\$ 19,722,478</u>	<u>\$ 47,633,023</u>

In 2015, the Organization reviewed the policy for preserve reinvestments and determined these assets should be classified as temporarily restricted, as such, a transfer was made during the year to move \$277,887 from unrestricted net assets to temporarily restricted net assets to classify all reinvestments as temporarily restricted.

NOTE 10: 401(k) SALARY DEFERRAL PLAN

The Organization has a 401(k) Plan and employees may elect to make salary deferred contributions to the Plan. The Organization makes a safe-harbor matching contribution up to 3% of salary plus 50% of employees contribution not to exceed 5% of compensation. The Organization made matching contributions of \$77,342 and \$63,384 in 2016 and 2015, respectively.

NOTE 11: RISKS AND UNCERTAINTIES

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's account balances and the amounts reported in the statement of nets assets available for benefits.

NOTE 12: FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board established a hierarchy that prioritizes the inputs for valuation techniques used to measure fair value. This hierarchy consists of three levels: Level 1 inputs consist of unadjusted quoted market prices in active markets for identical assets and have the highest priority; Level 2 include quoted market prices for identical or similar assets and liabilities in active or inactive markets or inputs other than quoted market prices that are observable or corroborated by observable market data for the asset or liability; and Level 3 inputs have the lowest priority and are unobservable and significant to the fair value measurement. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

The asset fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of September 30, 2016 and 2015.

Level 1 Fair Value Measurements: Money market funds have quoted market prices in active markets to preserve their value at \$1 per share. U.S. Treasury Notes are based on closing prices reported on active markets on which the individual securities are traded.

NOTE 12: FAIR VALUE MEASUREMENTS (Continued)

Level 2 Fair Value Measurements: The fair value of the Institutional Global Multi-Asset Fund, Institutional Multi-Strategy Equity Fund, Institutional Multi-Strategy Bond Fund and the State Street US Government Money Market Fund are based on quoted net asset values of the shares held by the funds at year end. These are generally open-end funds that offer subscription and redemption options to investors. Redemption provisions vary by fund but are typically either monthly or quarterly.

Level 3 Fair Value Measurements: The private equity funds held by the Organization are invested primarily in limited partnerships formed for the purpose of making international, domestic and real asset private equity investments. These investments have unobservable pricing inputs. Due to timing of investment value availability some level 3 investments are valued at dates other than the Organization's fiscal year end.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2016 and 2015, including \$10,114,945 and \$8,440,959 of funds held for others, respectively:

<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 2,623,830	\$ -	\$ -
U.S. Treasury Notes	10,204,584	-	-
Institutional Global Multi-Asset Fund	-	36,622,330	-
Institutional Multi-Strategy Bond Fund	-	33,347,123	-
Institutional Multi-Strategy Equity Fund	-	3,895,812	-
State Street US Government Money Market	-	1,145,938	-
Private equity funds	-	-	9,834,640
	<u>\$ 12,828,414</u>	<u>\$ 75,011,203</u>	<u>\$ 9,834,640</u>
<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 1,416,612	\$ -	\$ -
Institutional Global Multi-Asset Fund	-	34,653,992	-
Institutional Multi-Strategy Equity Fund	-	30,307,233	-
Institutional Multi-Strategy Bond Fund	-	3,714,439	-
State Street US Government Money Market	-	1,068,219	-
Private equity funds	-	-	7,541,957
	<u>\$ 1,416,612</u>	<u>\$ 69,743,883</u>	<u>\$ 7,541,957</u>

The following table discloses the summary of changes in fair value of assets valued using Level 3 inputs:

<u>Private Equity Funds</u>	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 7,541,957	\$ 3,810,390
Contribution	1,727,873	2,943,689
Unrealized appreciation	564,810	787,878
Total	<u>\$ 9,834,640</u>	<u>\$ 7,541,957</u>

NOTE 13: SUBSEQUENT EVENTS

Management evaluated subsequent events through March 16, 2017, the date these financial statements were available to be issued. Management has determined, except for the item noted below, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 13: SUBSEQUENT EVENTS (Continued)

On December 19, 2016 the Organization received a memorandum dated December 13, 2016 from the Department of the Army, US Army Installation Management Command (IMCOM), which advised of an immediate freeze on Army Compatible Use Buffer (ACUB) funds. It indicated that this freeze was due to a recent internal review in which IMCOM found several critical ACUB management controls lacking or ineffective which are administered at both the Headquarters Department of Army (HQDA) and Command levels. The Organization has received notice that the freeze will be lifted after IMCOM has completed this review, which is expected to be by May 31, 2017. It is important to note that this review does not involve the Organization directly and was not predicated upon any action, or inaction, by the Organization. the Organization does not expect any long-term implications with regard to its ability to fulfill its mission or obligations specific to these grants as the awarded funding remains in place.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Center for Natural Lands Management
Temecula, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Center for Natural Lands Management (a nonprofit Organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Center for Natural Lands Management's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center for Natural Lands Management's internal control. Accordingly, we do not express an opinion on the effectiveness of Center for Natural Lands Management's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Center for Natural Lands Management's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Campbell Taylor & Company

An Accountancy Corporation

Roseville, California

March 16, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Center for Natural Lands Management
Temecula, California

Report on Compliance for Each Major Federal Program

We have audited Center for Natural Lands Management's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Center for Natural Lands Management's major federal programs for the year ended September 30, 2016. Center for Natural Lands Management's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Center for Natural Lands Management's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Center for Natural Lands Management's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Center for Natural Lands Management's compliance.

Opinion on Each Major Federal Program

In our opinion, Center for Natural Lands Management complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of Center for Natural Lands Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Center for Natural Lands Management's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Center for Natural Lands Management's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Campbell Taylor & Company

An Accountancy Corporation

Roseville, California

March 16, 2017

CENTER FOR NATURAL LANDS MANAGEMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- Through Number	2016	
			Disbursements/ Expenditures	Subrecipients
U.S. Department of Defense (DOD):				
<i>Regional Conservation Effort Program</i>				
<i>Joint Base Lewis McChord (JBLM)</i>				
DOD JBLM- Nur Seed	12.UNKNOWN	W911S8-15-2-0015	\$ 134,177	\$ 2,235
DOD JBLM-AMSD 2015 15-05	12.UNKNOWN	W911S8-15-2-0005	130,640	7,372
DOD JBLM-Invasives 15-11	12.UNKNOWN	W911S8-15-2-0011	115,450	1,566
DOD JBLM-Butterfly 15-09	12.UNKNOWN	W911S8-15-2-0009	102,040	1,699
DOD JBLM-Prsb Fire 15-06	12.UNKNOWN	W911S8-15-2-0006	91,317	-
DOD JBLM-Prairie HE	12.UNKNOWN	W911S8-15-2-0016	90,663	-
DOD JBLM Lark & Seed 15-01	12.UNKNOWN	W911S8-15-2-0001	85,405	-
DOD JBLM-SHL 15-12	12.UNKNOWN	W911S8-15-2-0012	81,167	3,517
DOD JBLM-Oak Pine	12.UNKNOWN	W911S8-15-2-0013	79,516	1,234
DOD JBLM-Gopher 15-08	12.UNKNOWN	W911S8-15-2-0008	73,070	1,566
DOD JBLM SHL 15-04	12.UNKNOWN	W911S8-15-2-0004	60,018	-
DOD JBLM-Salmon 10	12.UNKNOWN	W911S8-15-2-0010	47,196	1,326
DOD JBLM-SHL 16-10	12.UNKNOWN	W911S8-16-2-0010	41,700	-
DOD JBLM Native Seed Mix	12.UNKNOWN	W911S8-15-2-0018	35,279	-
DOD JBLM-ESA Prairie Res	12.UNKNOWN	W911S8-15-2-0014	17,596	990
DOD JBLM- Seed Nur Enhancement	12.UNKNOWN	W911S8-16-2-0002	14,999	-
DOD JBLM- SHL Fire Enh 16-11	12.UNKNOWN	W911S8-16-2-0011	12,582	-
DOD JBLM Eco Rest Oak n Pine	12.UNKNOWN	W911S8-15-2-0017	8,998	-
DOD JBLM-Nur Seed 16-03	12.UNKNOWN	W911S8-16-2-0003	8,436	-
DOD JBLM-Butterfly 16-09	12.UNKNOWN	W911S8-16-2-0009	8,194	-
DOD JBLM Native seed mix	12.UNKNOWN	W911S8-14-2-0027	1,501	-
DOD JBLM-Forest plnt soil & Topo	12.UNKNOWN	w911S8-16-2-0013	87	-
DOD JBLM-Bfly Invasives 16-08	12.UNKNOWN	W911S8-16-2-0008	8	-
			<u>1,240,039</u>	<u>21,505</u>
<i>Beal AFB</i>				
ACE/Auxilio Beale AFB	12.UNKNOWN	018.007.14.0044.0002	17,070	-
ACE/Auxilio Beale AFB	12.UNKNOWN	027.007.14.0044.0000	604	-
			<u>17,674</u>	<u>-</u>
<i>Army Corp of Engineers - Columbia River</i>				
DOD-Army Corp Eng Portland	12.UNKNOWN	W9127N-15-P-0044	47,753	-
DOD-ACE-SHL 16	12.UNKNOWN	W9127N-16-C-0023	<u>45,750</u>	<u>1,172</u>
			<u>93,503</u>	<u>1,172</u>
<i>Total Regional Conservation Effort Program</i>			1,351,216	22,677
<i>Army Compatible Use Buffer Program - Joint Base Lewis McChord</i>				
RDECOM ACUB	12.UNKNOWN	W911SR-06-2-0006	1,563,381	343,916
RDECOM ACUB	12.UNKNOWN	W9124J-15-2-0002	48,636	-
			<u>1,612,017</u>	<u>343,916</u>
Total Department of Defense			<u>\$ 2,963,233</u>	<u>\$ 366,593</u>

The accompanying notes are an integral part of this schedule.

CENTER FOR NATURAL LANDS MANAGEMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended September 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- Through Number	2016	
			Disbursements/ Expenditures	Subrecipients
U.S. Department of Agriculture (DOA):				
<i>Research and Development Forest Research</i>				
USDA PAC NW FIRE	10.652	16-DG-11261975-082	\$ 190	\$ -
<i>Environmental Quality Incentives Program</i>				
NRCS- Meadowlark	10.912	749104154UB	22,849	-
NRCS Cavness	10.912	7405461203M	5,502	-
NRCS-Copper Creek	10.912	749104154Y2	5,431	-
NRCS- Peterson	10.912	7454601505U	2,492	-
NRCS-Deschutes Rvr	10.912	740546150A6	616	-
<i>Total Environmental Quality Incentives Program</i>			36,890	-
<i>Wildlife Habitat Incentive Program</i>				
NRCS WHIP WH 2014-18	10.914	720546131WU	9,696	-
NRCS WHIP Scatter Creek	10.914	720546131WV	6,863	-
NRCS-WHIP Kelly Ridge	10.914	720546131X5	5,782	-
NRCS- WHIP Noyes	10.914	72054613516	1,353	-
<i>Total Wildlife Habitat Incentive Program</i>			23,694	-
Total Department of Agriculture			\$ 60,774	\$ -
U.S. Department of Interior (DOI):				
<i>Partners for Fish and Wildlife</i>				
USFWS Mahan TC 2013-17	15.631	F13AC00383	\$ 23,944	\$ -
USFWS Tenalquot 2015	15.631	F15AC00456	18,398	-
USFWS Chehalis Knotweed	15.631	F13AC00324	17,941	-
USFWS Fisher-McKenzie	15.631	F12AC01273	14,108	-
USFWS Glacial 2016-20	15.631	F16AC00515	13,243	-
USFWS Glacial 2013-15	15.631	F13AC00210	7,804	-
USFWS Wolf Haven 2013-15	15.631	F13AC00209	7,713	-
USFWS Scatter Creek 2013-17	15.631	F13AC00811	7,359	-
USFWS Cavness 15-18	15.631	F15AC00454	5,713	-
USFWS Tenalquot 2012	15.631	F12AC00390	2,506	-
USFWS-MEADOWLARK	15.631	F16AC00228	786	-
USFWS Cavness 2012-2013	15.631	F12AC00895	160	-
USFWS Ambrosia	15.631	81430-7-J025	72	-
<i>Total Partners for Fish and Wildlife</i>			119,747	-
<i>Passed through Capitol Land Trust</i>				
USFWS/CLT- Bayshore	15.631	F15AC00418	6,586	-
			126,333	-

The accompanying notes are an integral part of this schedule.

CENTER FOR NATURAL LANDS MANAGEMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended September 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- Through Number	2016	
			Disbursements/ Expenditures	Subrecipients
U.S. Department of Interior (DOI) - Continued:				
<i>State Wildlife Grants</i>				
<i>Passed through Washington Department Fish and Wildlife:</i>				
USFWS/WDFW SWG phase II (Note C)	15.634	F14AP00801	143,294	61,157
USFWS/WDFW SWG phase I (Note C)	15.634	F12AP01093	67,668	48,214
<i>Total State Wildlife Grants</i>			<u>210,962</u>	<u>109,371</u>
<i>Endangered Species Conservation Recovery Implementation Funds</i>				
USFWS Nat Plants 15-17	15.657	F15AC00636	100,941	13,803
USFWS Nat Plants NPS	15.657	F15AC00639	74,231	-
USFWS Cooperative Recovery	15.657	F14AC00487	26,959	-
USFWS SHL Analyses	15.657	F15AV00554	16,905	-
USFWS Nat Plants 2013-15 (Note C)	15.657	F13AC00255	16,132	-
USFWS Prescribed Burn	15.657	F14AP00681	11,609	-
USFWS SHL post Flegding	15.657	F16AC00540	9,969	-
USFWS Deschutes Prairie	15.657	F14AC00641	8,933	-
USFWS Eval Veg Mat 16-18	15.657	F16AC00536	7,949	-
USFWS Cooperatve Recovery 14-16	15.657	F16AC00557	2,771	-
USFWS-NPS Nat Seed Ph II	15.657	F16AC00523	1,798	-
USFWS Lark Conservation Strategy	15.657	F14AC00838	1,472	-
USFWS Reg Native Plant 2012-14	15.657	13410BJ043	81	-
<i>Total Endangered Species Conservation Recovery Implementation Funds</i>			<u>279,750</u>	<u>13,803</u>
<i>Passed through Pacific Rim Institute:</i>				
USFWS/PRI CALE 16 (Note C)	15.657	CALE-3-CNLM-1	25,098	-
USFWS/PRI CALE 2013-14 (Note C)	15.657	CALE-3-CNLM-1	4,550	-
			<u>29,648</u>	<u>-</u>
			309,398	13,803
<i>Neotropical migrating Bird Conservation</i>				
<i>passed through American Bird Conservancy</i>	15.635	F15AP00992	6,181	-
Total Department of Interior			<u>\$ 652,874</u>	<u>\$ 123,174</u>
Total Federal Expenditures			<u>\$ 3,676,881</u>	<u>\$ 489,767</u>

The accompanying notes are an integral part of this schedule.

CENTER FOR NATURAL LANDS MANAGEMENT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2016

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Center for Natural Lands Management under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Center for Natural Lands Management, it is not intended to and does not present the financial position, changes in net assets or cash flows of Center for Natural Lands Management.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE C: INDIRECT COST RATE

At September 30, 2016, the Organization was reimbursed at the federally negotiated indirect cost rate of 29.50%.

CENTER FOR NATURAL LANDS MANAGEMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2016

Summary of Auditor's Results

<i>Financial Statements</i>	
Type of auditor's report issued:	<i>Unqualified</i>
Internal control over financial reporting:	
• Material weakness identified?	<i>NO</i>
• Significant deficiency identified that is not considered to be a material weakness?	<i>None reported</i>
Noncompliance material to financial statements noted?	<i>None noted</i>

<i>Federal Awards</i>	
Internal control over major program:	
• Material weakness identified?	<i>NO</i>
• Significant deficiency identified that is not considered to be a material weakness?	<i>NO</i>
Type of auditor's report issued on compliance for major program:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	<i>NO</i>
Major Program: Regional Conservation Effort Program-Joint Base Lewis McChord (JBLM)	<i>CFDA 12.UNKNOWN</i>
Dollar threshold used to distinguish between type A and type B programs:	<i>\$750,000</i>
Auditee qualified as a low-risk auditee?	<i>YES</i>

Section II -Financial Statement Findings

None noted.

Section III -Findings and Questioned Costs

None noted.

Section IV -Status of Corrective Action on Prior Year Findings

None noted.